

OCA 87-1970

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	ACTION	INFO
1. D/OCA		x
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5. DD/House Affairs		x
6. Ch/House Affairs		
7. Admin Officer		
8. Executive Officer		
9. FOIA Officer		
10. Constituent Inquiries		
11. [redacted]		x
12.		

SUSPENSE

12 MAY 87

Date

Action Officer: [redacted]

Remarks:

*No objections relayed by [redacted]
on 5-8-87. See MFR-OCA 87-1344 (5/1/87)*

S.J. 8 MAY 87

Name/Date

OCA 87-1970

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11. 		x
12.		

SUSPENSE

~~12 MAY 87~~
DateAction Officer:

Remarks:

S.J. 8 MAY 87

Name/Date



EXECUTIVE OFFICE OF THE PRESIDENT

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

May 7, 1987

RECPT # 248

SPECIAL

LEGISLATIVE REFERRAL MEMORANDUM

TO: SEE ATTACHED DISTRIBUTION LIST

O/CONGRESSIONAL MATTERS

87-1970

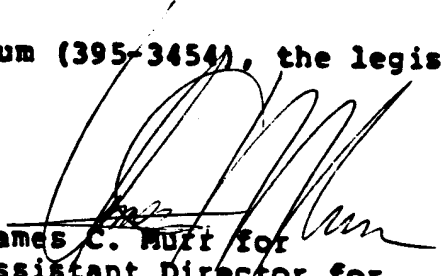
SUBJECT: Outline of OMB's proposed testimony and position on S. 908, the "Inspector General Act Amendments of 1987."

The Office of Management and Budget requests the views of your agency on the above subject before advising on its relationship to the program of the President, in accordance with OMB Circular A-19.

Please provide us with your views no later than 4:00 p.m.

Friday, May 8, 1987. The OMB Deputy Director is scheduled to testify on S. 908 on Tuesday, May 12, 1987. Time may not permit the circulation of the OMB testimony for comment. Accordingly, the outline of our proposed position on S. 908 is attached.

Direct your questions to Branden Blum (395-3454), the legislative attorney in this office.


**James C. Murr for
Assistant Director for
Legislative Reference**

Enclosure

cc: Ken Schwartz Bernie Martin Joe Hezir Sam Adams
Ken Ryder Dave Kleinberg Jim MacRae
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Outline for OMB's

May 7, 1987

Testimony re. S 908

INTRODUCTION

- o The Committee has requested that Joe Wright specify that he is testifying both as the Deputy Director of OMB (on behalf of the Administration) and as the Chairman of PCIE.
- o Reaffirm the President's continuing support for the IGs through the PCIE and cite recent accomplishments of the PCIE.
- o Pleased to report general support for the bill but with recommended important changes.
- o Turn to a discussion of specific provisions of S. 908.

TECHNICAL AMENDMENTS TO THE IG ACT (Sections 2,3,7 of the bill)

- o The IGs and the Administration continue to support the technical amendments to:
 - oo ensure uniformity of authorities and responsibilities among IGs.
 - oo include IGs at HHS, Energy, and RRB in the IG Act of 1978.
 - oo provide uniform salaries for all IGs.
 - oo extend oath authority to all IGs.

CREATION OF IGs AT FEMA, OPM, NRC AND TREASURY (Section 4)

- o The Administration has no objection to the creation of statutory IGs at FEMA, OPM, and NRC. We understand that those agencies will provide, or have provided, comments separately, which will, in some cases, recommend desirable changes.
- o The Administration continues to oppose the creation of a statutory IG at Treasury. Creation of a statutory IG at Treasury would impair that agency's ability to maintain the integrity of its monetary, fiscal, tax and law enforcement responsibilities.

ESTABLISHMENT OF AUDIT UNITS FOR SMALL AGENCIES (Section 5)

- o The Administration strongly supports the Committee's efforts to ensure the integrity and effectiveness of audit functions throughout government.
- o We also firmly believe that there is no excuse for any

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Federal agency not ~~the~~ have adequate audit coverage.

- oo Last week we directed those smaller agencies without inspector general coverage to report immediately to OMB concerning their compliance with OMB Circular A-73 "Audit of Federal Programs and Operations". (Note to agencies: anticipate directive being issued shortly.)
- oo These agencies were directed to provide a summary of how they ensure adequate audit coverage and the independence and integrity of the audit function.
- oo Those agencies not currently in compliance with A-73 and the GAO "Standards for Audit of Governmental Organizations, Programs, Activities and Functions" (Yellow Book Standards) must submit to OMB within 30 days a plan for coming into compliance with the Circular's requirements.
- oo Where agencies cannot, because of budget or staff restrictions, feasibly undertake sufficient audits, we believe that agency should be able to rely on existing Federal auditors for help. Therefore, we recommend that the bill include authority for OMB to direct that existing IGs perform audit work for small agencies as necessary. We would be pleased to work with the Committee on the parameters for such authority, in lieu of the bill's audit unit provisions.
- oo With respect to the independent regulatory commissions, we would defer to the Committee for recommendations as to how to provide audit coverage in these agencies.

REVISED REPORTING REQUIREMENTS (Section 6)

- o We basically agree with the efforts of the Committee to heighten the accountability in the audit resolution process.
- o OIG Semiannual Reports. A majority of the IGs have no objection to the revised reporting requirements. We note an exception is the Department of Defense which does not favor the revised requirement. We would like to work with the Committee on the definitional changes contained in the bill.
- o Agency Head Reports. We propose an alternative approach to the Committee. Instead of having each agency head reporting to Congress individually, agencies could submit reports to OMB. OMB would review agency progress in audit resolution in both its budget and management reviews of agencies. We would include audit resolution information in our annual Management Report to the Congress. The Administration would also require agencies to include additional information in

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their reports concerning their implementation of circular A-123 (Internal Control Systems) requirements. This portion of agency reports would focus on material weaknesses in programs and their administration and provide agencies with the directions for future auditing.

SEPARATE LINE ITEM FOR EACH IG (Section 8)

- o The administration supports a separate ^{appropriation} account for the Inspectors General.
- o A majority of the IGs favor separate line items for their budgets because it enhances their independence and control over their resources.

OTHER

- o With respect to the provisions in the bill concerning: (1) the Office of Investigations in the Nuclear Regulatory Commission (NRC); and (2) the Chief Postal Inspector in the U.S. Postal Service (USPS) we defer to the NRC and USPS, respectively.